



CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

August 6, 1998

H.R. 4275

Economic Development Partnership Act of 1998

*As ordered reported by the House Committee on Transportation and Infrastructure
on July 23, 1998*

SUMMARY

H.R. 4275 would reauthorize and modify programs administered by the Economic Development Administration (EDA) and the Appalachian Regional Commission (ARC). It would authorize the appropriation of \$2.4 billion for these purposes over the 1999-2003 period. CBO estimates that \$1.3 billion of that amount would be spent over the next five years, assuming appropriation of the authorized sums.

The bill also would allow EDA to expend certain funds that, under current law, would not be spent. CBO estimates that such authority would result in direct spending of \$10 million over fiscal years 1999 through 2002 (with no effect in fiscal year 2003). Because H.R. 4275 would affect direct spending, pay-as-you-go procedures would apply.

The legislation contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA) and would impose no costs on state, local, or tribal governments.

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary impact of H.R. 4275 is shown in the following table. The costs of this legislation fall within budget function 450 (community and regional development).

	By Fiscal Year, in Millions of Dollars					
	1998	1999	2000	2001	2002	2003
SPENDING SUBJECT TO APPROPRIATION						
EDA and ARC Spending Under Current Law						
Budget Authority ^a	418	0	0	0	0	0
Estimated Outlays	506	436	318	209	94	17
Proposed Changes						
Estimated Authorization Level	0	465	471	475	476	482
Estimated Outlays	0	52	150	255	373	459
EDA and ARC Spending Under H.R. 4275						
Estimated Authorization Level ^a	418	465	471	475	476	482
Estimated Outlays	506	488	468	464	467	476
CHANGES IN DIRECT SPENDING						
Estimated Budget Authority	0	0	0	0	0	0
Estimated Outlays	0	1	3	3	3	0

a. The 1998 level is the amount appropriated for that year for the programs that would be reauthorized by H.R. 4275.

BASIS OF ESTIMATE

For purposes of this estimate, CBO assumes that H.R. 4275 will be enacted by the beginning of fiscal year 1999 and that all amounts authorized or estimated to be authorized by the bill will be appropriated for each year. Estimated outlays are based on historical rates of spending for the EDA and ARC programs.

Spending Subject to Appropriation

Economic Development Administration. H.R. 4275 would authorize the appropriation of \$368 million annually over the 1999-2003 period for the economic development assistance programs of EDA. (The bill would not authorize funding for EDA's Trade Adjustment Assistance program.) Additionally, the bill would authorize such sums as necessary for administering these programs. Based on information provided by EDA, CBO estimates that administering these programs would require additional spending subject to appropriation of

\$30 million in 1999, \$31 million in 2000, \$32 million in 2001, \$33 million in 2002, and \$34 million in 2003.

The bill also would authorize such sums as necessary for assisting communities affected by the downsizing of the Department of Defense and Department of Energy. Based on information provided by EDA, CBO estimates that such additional funding would probably not be necessary unless the Congress enacts legislation requiring additional closings or reductions.

Appalachian Regional Commission. H.R. 4275 would authorize the appropriation of \$67 million in 1999, \$72 million in 2000, \$75 million in 2001, \$75 million in 2002, and \$80 million in 2003 for the economic development programs of the ARC. The bill would not authorize funding for the Appalachian Development Highway System.

Direct Spending

Expiring Funds. H.R. 4275 would allow recipients of EDA grants, under certain conditions, to use funds that, under current law, would not be spent because the scope or purpose of the project that they were originally provided for has changed or the cost of the project was lower than anticipated. As is the case under current law, EDA's authority to spend funds would continue to expire five years after the date on which such funds are obligated. CBO estimates that, under current law, about \$10 million of previously appropriated funding will lapse each year over the 1999-2002 period. From those amounts, CBO estimates that, under H.R. 4275, about \$1 million in additional outlays would occur in 1999 and about \$3 million in additional outlays would occur for each of fiscal years 2000 through 2002.

Expanded Use of EDA Liquidating Account. Enacting H.R. 4275 also would affect direct spending by authorizing EDA to use loan repayments to pay expenses associated with seizing, protecting, or conveying assets. For example, under the bill, loan proceeds would be available for taking over property that was acquired with an EDA grant but is now being used for purposes that are inconsistent with the terms of the original grant. Once the property was acquired, the funds also could be used to pay the costs of transferring the land to nonfederal ownership (for example, the costs of conducting environmental impact statements). CBO expects that this authority would allow EDA to acquire or convey additional assets and that, on average, the proceeds that would result from conveying these assets would offset any increases in spending, resulting in no significant net change in direct spending for each year.

PAY-AS-YOU-GO CONSIDERATIONS

The Balanced Budget and Emergency Deficit Control Act sets up pay-as-you-go procedures for legislation affecting direct spending or receipts. The net changes in outlays and governmental receipts that are subject to pay-as-you-go procedures are shown in the following table. For the purposes of enforcing pay-as-you-go procedures, only the effects in the current year, the budget year, and the succeeding four years are counted.

	By Fiscal Year, in Millions of Dollars										
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Changes in outlays	0	1	3	3	3	0	0	0	0	0	0
Changes in receipts	Not applicable										

ESTIMATED IMPACT ON STATE, LOCAL, AND TRIBAL GOVERNMENTS

H.R. 4275 contains no intergovernmental mandates as defined in UMRA and would impose no costs on state, local, or tribal governments. The bill would reauthorize the Economic Development Administration and the Appalachian Regional Commission, with most of the money going to grants for public infrastructure and economic development activities. The bill would tighten the eligibility criteria for grant funding and generally drop the maximum federal match from 80 percent to 50 percent, changes that would codify current practice for the two programs.

The bill would also, under certain circumstances, expand the possible uses of grant funds provided for specific projects. Finally, it would establish pilot programs to provide loan guarantees for public works projects and to reduce interest rates on loans for economic development projects.

ESTIMATED IMPACT ON THE PRIVATE SECTOR

The bill would impose no new private-sector mandates as defined in UMRA.

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